

**DEPARTMENT OF MENTAL HEALTH,
RETARDATION AND HOSPITALS
RIVERWOOD REHABILITATION SERVICES, INC.
REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 1998 AND 1997**

**DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
ONE CAPITOL HILL
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUREAU OF AUDITS
One Capitol Hill
Providence, R.I. 02908-5889
TEL #: (401) 222-2768
FAX #: (401) 222-3973

Department of Mental Health, Retardation and Hospitals

Riverwood Rehabilitation Services, Inc.

REPORT ON CONTRACT COMPLIANCE

For the Fiscal Years Ended June 30, 1998 and 1997

EXECUTIVE SUMMARY

We had no significant findings to report for the fiscal years ended June 30, 1998 and 1997 and, as such, contain no recommendations.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
RIVERWOOD REHABILITATION SERVICES, INC.
FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

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March 15, 2000

Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
Barry Hall-2
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have completed an engagement of the contracts between the Department of Mental Health, Retardation and Hospitals (MHRH) and Riverwood Rehabilitation Services, Inc., for the fiscal years ended June 30, 1998 and 1997.

The results of our engagement included herein have been discussed with management and we have considered their comments in the preparation of our report. Since this report discloses no significant findings and recommendations, no written response is necessary as required by Section 35-7-4 of the General Laws.

We wish to express our appreciation to the officials of the Department of MHRH and to the Director and staff members of Riverwood Rehabilitation Services, Inc., for their cooperation and courtesies extended to us during the course of this engagement.

Sincerely,

Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pb

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
RIVERWOOD REHABILITATION SERVICES, INC.
FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

SCOPE AND PURPOSE

The purpose of this engagement was to determine compliance with your department's terms and conditions contained within the Residential and Mobile Support Contracts as to:

- compliance with contract terms;
- whether reported expenses were allowable and properly allocated;
- whether reported revenues were accurate; and
- any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our engagement included verification of revenues and expenses through testing procedures to the extent we deemed necessary in the circumstances. Occupancy requirements and resident contributions were examined for adherence to contractual specifications. Client fund management was reviewed for conformance with applicable policies and guidelines.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
RIVERWOOD REHABILITATION SERVICES, INC.
FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

BACKGROUND

Riverwood Rehabilitation Services, Inc., located at 399 Metacom Avenue, Bristol, Rhode Island, is a non-profit corporation established under the State's General Laws and is governed by a Board of Directors of not less than 7 and not more than 25 members elected annually. The provider, incorporated in 1982, provides residential and rehabilitation programs to mentally disabled adults.

These programs funded through the R.I. Department of Mental Health, Retardation and Hospitals are summarized below:

Residential Program

During the period reviewed, Riverwood Rehabilitation Services, Inc., operated three group homes to serve mentally disabled adults aged eighteen and over in the Newport County and East Bay "Catchment Areas." The group homes and their locations are as follows:

<u>Facility</u>	<u>Established</u>	<u>Licensed Capacity</u>
Portsmouth House 173 Locust Avenue Portsmouth, R.I.	1983	7
Barrington House 94 County Street Barrington, R.I.	1983	8
Tiverton House 2698 Main Road Tiverton, R.I.	1984	9

Mobile Treatment Team

This program provides community support services to clients in the provider's catchment areas. Its administrative offices are located at 80 Cutler Street, Warren, R.I.



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May 25, 1999

Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
Barry Hall-2
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and Riverwood Rehabilitation Services, Inc., (Provider) solely to assist the users in evaluating management's assertion about the Provider's compliance to the financial terms and conditions contained within the Residential and Mobile Support contracts during the fiscal years ended June 30, 1998 and 1997, included in the accompanying Report on Contract Compliance. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

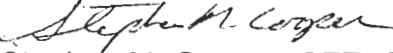
For purposes of this engagement we tested compliance with the above mentioned specified requirements for determining allowable costs, accuracy of reported activities, and any excess funding on behalf of MHRH. Based on the application of the procedures referred to above, nothing came to our attention that caused us to believe that there were instances of noncompliance with the conditions contained within the MHRH's Residential and Mobile Support contracts for the fiscal years ended June 30, 1998 and 1997.

Ms. A. Kathryn Power, Director
Page 2
May 25, 1999

We were not engaged to; and did not, perform an examination, the objective of which would be the expression of an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of MHRH and the Provider and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,


Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pb

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 RIVERWOOD REHABILITATION SERVICES, INC.
 STATEMENT OF REVENUES AND EXPENSES
 FISCAL YEAR ENDED JUNE 30, 1998

	Residential and Mobile Support	Title XIX Medicaid	Total
<u>Revenues</u>			
MHRH	\$ 63,371	-	63,371
Donations	6,690	-	6,690
Title XIX Medicaid	-	1,476,109	1,476,109
Client Fees	131,526	-	131,526
Interest and Dividends	9,847	-	9,847
Other Revenue	22,224	-	22,224
Total Revenues	\$ 233,658	1,476,109	1,709,767
<u>Expenses</u>			
Personnel	1,267,366	-	1,267,366
Operating	346,314	-	346,314
Purchased Equipment	14,436	-	14,436
Total Expenses	\$ 1,628,116	-	1,628,116
<u>Other Financing Sources (Uses)</u>			
Interfund Transfer - Title XIX Medicaid	1,476,109	(1,476,109)	-
Excess (Deficiency) of Revenues over Expenses	\$ 81,651	-	81,651

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 RIVERWOOD REHABILITATION SERVICES, INC.
 STATEMENT OF REVENUES AND EXPENSES
 FISCAL YEAR ENDED JUNE 30, 1997

	Residential and Mobile Support	Title XIX Medicaid	Total
<u>Revenues</u>			
MHRH	\$ 42,043	-	42,043
Donations	14,508	-	14,508
Title XIX Medicaid	-	1,353,056	1,353,056
Client Fees	121,198	-	121,198
Interest and Dividends	2,572	-	2,572
Other Revenue	37,448	-	37,448
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 217,769	1,353,056	1,570,825
	<hr/>	<hr/>	<hr/>
<u>Expenses</u>			
Personnel	1,248,251	-	1,248,251
Operating	334,434	-	334,434
Purchased Equipment	8,735	-	8,735
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Total Expenses	\$ 1,591,420	-	1,591,420
	<hr/>	<hr/>	<hr/>
<u>Other Financing Sources (Uses)</u>			
Interfund Transfer - Title XIX Medicaid	1,353,056	(1,353,056)	-
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues over Expenses	\$ (20,595)	-	(20,595)
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See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 RIVERWOOD REHABILITATION SERVICES, INC.
 STATEMENT OF OPERATIONS - TITLE XIX PROGRAM
 FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

	<u>Fiscal Year Ended June 30</u>	
	<u>1998</u>	<u>1997</u>
<u>Beginning Balance:</u>	\$ -	-
Revenues Received Designated for Programs	<u>1,476,109</u>	<u>1,353,056</u>
<u>Revenues Applied:</u>		
Community Support and Related Services	<u>1,476,109</u>	<u>1,353,056</u>
<u>Ending Balance</u>	\$ <u>-</u>	<u>-</u>

See accompanying notes to financial information.

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DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
RIVERWOOD REHABILITATION SERVICES, INC.
FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

NOTES TO FINANCIAL INFORMATION

Note 1 - Significant Accounting Policies

Basis of Accounting:

The financial information is presented on the accrual basis of accounting, which complies with the financial terms and conditions contained within the Residential and Mobile Support contracts for the fiscal years ended June 30, 1998 and 1997. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
RIVERWOOD REHABILITATION SERVICES, INC.
FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

FINDINGS AND RECOMMENDATIONS

STATUS OF PRIOR AUDIT RECOMMENDATIONS JUNE 30, 1996

There were no prior audit recommendations.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
RIVERWOOD REHABILITATION SERVICES, INC.
FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

CURRENT YEARS FINDINGS AND RECOMMENDATIONS

Net Operations

Net operating results for the Provider's programs for fiscal years ended June 30, 1998 and 1997 (Exhibits A and B) are summarized as follows:

<u>Program</u>	<u>1998</u>	<u>1997</u>
Residential and Mobile Support	<u>\$ 81,651</u>	<u>\$ (20,595)</u>

Residential and Mobile Support

The following contract provision appears in Addendum II of the performance contracts:

12.A "If the performance standards have been met to the satisfaction of the department and, upon review of the audit, an amount equal to that provided by the state has been spent, any non-state fund balance or surplus will be retained as restrictive reserve and available for reprogramming as income available for community support services..."

It was determined that the excess revenues were attributable to non-state sources. Nothing came to our attention to indicate that program standards had not been met to the satisfaction of the department.

The excess revenue of \$81,651 in the Residential and Mobile Support contract with the Provider is restricted for reprogramming by MHRH in subsequent years.

Revenue Deficiencies

It is our understanding that each contract stands on its own and that any expenses of the contracted amounts be absorbed by the Provider.

During the period under review the following Division of Integrated Mental Health Services contract had a deficiency.

1997 – Residential and Mobile Support \$ (20,595)